

Internationale de Placements (BIP), one of the leaders in treasury management and arbitrage market in France. Dresdner is reinforcing its strength in sectors where it is performing best, such as foreign exchange and capital markets products. At the same time, Dresdner has bought the treasury activities of Elders Finance Group and counter-attacked Deutsche Bank in the insurance business by signing exclusive marketing deals with leading German insurers.

The third bank, Commerzbank, is looking for small stakes in similar European institutions. Its "Europartners" include Banco di Roma, Banco Hispano Americano and Crédit Lyonnais.

Acquisitions will probably multiply in the years to come, but mergers can fall through. The Government of Spain tried to assemble the two largest banks in the country, Banco Espanol de Credito (Banesto) and Banco Central S.A. For whatever reasons, the deal collapsed. The case of Amro Bank in the Netherlands and Generale Bank in Belgium is also instructive. This highly publicized deal, which would have created a single transnational operation through several stages, was abandoned at an early stage. The two banks will retain some cross shareholding and will continue to co-operate, but this arrangement falls short of the ambition to build one of the largest banks in Europe. Yet the merger of these two banks initially looked very promising. Of similar size, they are located in neighbouring countries with similar cultures and languages. They would have gained clear benefits in linking their distribution capabilities in securities, in research, in mergers and acquisitions and in combined overseas networks; in the end, these benefits were not enough to close a deal.

b) Participation Agreements

There is a general trend in European financial services toward consolidation through loose confederations. Alliances, co-operation agreements and cross

participations have proven more flexible than full mergers. These confederations can involve two or more partners from the same or different sectors--i.e., banks and insurance companies. An interesting arrangement occurs when a group of middle-sized banks from different EC Member States agrees to exchanging cross-shareholding in order to gain access to new markets by trading matching products and distribution strengths. This type of arrangement also provides additional friendly shareholders and increased equity. Banco Santander in Spain is associated with Hambros in London, and Instituto Bancario Italiano is associated with Crédit du Nord Belge for some private banking products and with Noble Lowndes and Metropolitan Life of New York for mutual funds' administration and life insurance products.

The very successful Compagnie Bancaire of France is promoting foreign products such as Merrill Lynch Cash Management Accounts. It is specializing by product groups and building new distribution channels with associated banks for life insurance; with retailers for consumer credit; and with direct mail companies for savings accounts. It has also entered the British mortgage market by acquiring Commercial Credit Services Holdings and has created a joint leasing venture in Belgium.

c) Bank-Insurance Company Alliances

The financial sector is preparing for 1992 through alliances of bankers and insurers across Europe. This development is apparent in the Federal Republic of Germany. France, in turn, has promoted very intricate co-ownership arrangements between the large public sector banking and insurance firms. In cross-border transactions, Banque Indosuez, which has taken over the Victoire Group, the big French insurer which has a majority stake in Colonia, Germany's second biggest insurance group. Indosuez has also signed a pact of co-operation with View Rotterdam into Netherlands and with Baltica Holdings, a Danish insurance and finance company, adding Scandinavia to a